

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 94 - HB 287

March 5, 2013

SUMMARY OF BILL: Defines “Tennessee business” as a business that is a continuing, independent, for profit business that performs a commercially useful function with residence in this state. Requires the Chief Procurement Officer to promulgate rules authorizing an allowance for Tennessee businesses in the evaluation of bids and proposals for state contracts effective January 1, 2014. Prohibits such allowance from exceeding five percent of the lowest responsive, responsible bidder meeting specifications and would be applied as follows: five percent for contracts up to \$1 million; four percent for contracts up to \$10 million; three percent for contracts up to \$25 million; and two percent for contracts that exceed \$50 million. When the lowest responsible and responsive bidder on a public construction project in Tennessee is a resident of another state that is contiguous to Tennessee and that allows a preference to a resident contractor of that state that is greater than the preference allowed to a Tennessee business under this bill, a like reciprocal preference will be allowed to the lowest responsible and responsive bidder on such project who is a Tennessee business.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$1,287,500/FY13-14
\$2,575,000/FY14-15 and Subsequent Years**

Assumptions:

- According to the Department of General Services (DGS), the Department spent \$73,572,667 on contract payments to out-of-state vendors in FY11-12 based on information from Edison. State Building Commission contracts are not reflected in the data pulled from the Edison system.
- Assuming an average three and one-half percent preference allowance for state contracts, the recurring increase in state expenditures is \$2,575,043.70 ($\$73,572,667 \times 3.5\%$).
- Recurring state expenditures for FY13-14 will be \$1,287,500 ($\$2,575,043.70/2$) to reflect costs for one-half of the fiscal year due to the effective date of January 1, 2014.
- According to the County Technical Assistance Service (CTAS), there will be an impact to local governments; however, CTAS does not have any data to make an estimate on the fiscal impact. CTAS believes the impact to local government will be similar to the

impact to state government; however the precise fiscal impact to local government as a result of the bill cannot be determined due to insufficient data.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/lsc